

# CenturyLink Internet Basics Year-Four Independent Researcher<sup>1</sup> Report

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This document is the fourth annual external review of the CenturyLink Internet Basics (CIB) program. This year-four external program review will focus on the time period beginning October 1, 2014 through September 30, 2015. The scope of this report is limited to a review of company-supplied information regarding CIB accomplishments and a brief assessment of continued progress with respect to:

- The program context that underlies customer interest in CIB;
- Relevant CenturyLink customer engagement through techniques such as direct mail, flyers, use of media and meetings with community leaders;
- The conduct of community-based trainings; and
- Leveraging of partnerships to better target resources allocated by the Company to the implementation of CIB.

## PROGRAM CONTEXT

The CIB program established in 2011 continues to deliver a reduced-price broadband service, a discounted computer device option and both on-line and face-to-face training targeted to customers that:

- Reside where CenturyLink offers Internet service.
- Are not current CenturyLink Internet customers and have not subscribed to CenturyLink Internet service within the last 90 days.
- Do not have an overdue CenturyLink bill or unreturned equipment.
- Are “Lifeline program” eligible and follow applicable guidelines defined for Internet Basics.
- Have not had CenturyLink Internet Basics service previously.

Qualifying customers have the option of purchasing three download speed service tiers of Internet connection: 1) 1.5 Mbps for \$9.95 per month; 2) 3 Mbps for \$14.95 per month; or 3) 10 - 12 Mbps for \$19.95 per month. Beginning in 2011, qualifying customers had the option to purchase a \$150 Netbook with a two-year contract. In year-four of the program, CenturyLink switched to offering the purchase of an I-Pad Mini for \$150.

The CIB program includes promotional activity at the local market level to increase awareness of the discounted broadband service option and also conducting some training programs to provide digital literacy and skill training to help boost

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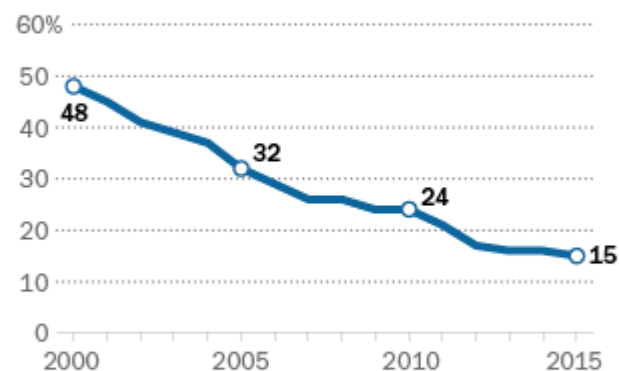
<sup>1</sup> Prepared by Bill Gillis, PhD; Gillis Associates, Spokane WA. September 2015.

broadband subscription rates among current non-adopters. Training programs are typically offered in collaboration with local-based community organizations. As a result there is both better leveraging of CenturyLink program resources and a strengthening of local community-based partners' ability to serve the specific populations most able to benefit from discounted service, equipment and training in each local area.

According to a recent Pew Research Center study<sup>2</sup>, the percent of American population that do not have access to the Internet continues to shrink. Notably at the launch of CIB in 2011 nearly a quarter of the US population was offline. By 2015 about 15% of Americans are estimated to be offline. This latest Pew Research Center study shows that a number of demographic variables, in addition to low-income such as age, educational attainment, race and community type impact use of the Internet. In general those not using the Internet tend to be older than 65, less educated, a racial minority (black or Hispanic) and/or live in a rural area. While, there continues to be improvement in Internet use across all population groups, the size of the non-user group has not changed dramatically over the last three years despite private provider programs such as CIB as well as the increased emphasis on reducing the digital divide within government and social service programs.

### Offline Population Has Declined Substantially Since 2000

*% of U.S. adults who do not use the internet*



Source: Pew Research Center surveys of U.S. adults, 2000-2015. Data from 2015 includes surveys conducted March 17-April 12, May 28-31, and June 10-July 12.

PEW RESEARCH CENTER

An earlier Pew Research Center study<sup>3</sup> found more than one-third of non-Internet users did not go on-line because they had no interest in doing so or did not think the Internet was relevant to their lives. Approximately another third said the Internet was too difficult to use, including 8% of this group who said they were "too old to learn". Notably less than a fifth of those not using the Internet cited expense or the cost of owning a computer to be the primary barrier. These realities provide the context for what has been a somewhat limited customer interest in Internet Basics among CenturyLink customers.

<sup>2</sup> Pew Research Center. 15% of Americans Don't Use the Internet. Who Are They? Fact Talk. July 28, 2015.

<sup>3</sup> Pew Research Center. Who is Not On-Line and Why? September 25, 2013.

## PARTICIPATION IN CIB PROGRAM

Between October 1, 2011 and September 30, 2013, more than 40,500 eligible customers received an Internet Basics discount. This translates to an average of nearly 1,700 new Internet Basic subscriptions per month. Between October 2013 and September 2014, the average monthly rate of new Internet basic subscriptions increased to 1,757 per month. For the most recent test period (October 1, 2014 to September 30, 2015) the average rate of new Internet Basics subscriptions once again decreased slightly to an average growth of just under 1700 per month.

Despite a relatively steady pace in the average monthly number of customers signing up for Internet Basics, disconnects impact the total net growth of Internet Basics subscribership. At the end of September 2015 the ending in service quantity was just over 39,000, a net increase of just under 5000 subscribers from September 2014. The lack of customer retention may be partly impacted by factors such as changing preferences to utilize smartphones as a primary source for on-line access. CIB is designed to reach eligible customers seeking a broadband connection at home. Among CenturyLink Internet Basics subscribers who discontinue their service, a mobile service may increasingly be valued as an alternative to a fixed broadband connection, especially among households with a limited income. A recent Pew Research Center study<sup>4</sup> found:

- Approximately 10 percent of the US population depend only on a smartphone for a broadband connection and do not subscribe to a home Internet service.
- Some 13% of Americans with an annual household income less than \$30,000 per year rely solely on a smartphone for their Internet connection. Just 1% of Americans from households earning more than \$75,000 per year rely on their smartphones to a similar degree for online access.
- A reported 12% of African Americans and 13% of Latinos are dependent on smart-phones for internet access, compared to 4% of whites.

Additionally, wireless phone service is an option for Lifeline eligible customers who may choose to use that subsidy for an Internet enabled smartphone. Finally it is important to consider that CenturyLink offers a promotional \$19.95 monthly broadband Internet service to most first time customers including those who are eligible for CIB. The connection speed is typically faster than the 1.5 Mbps tier available to eligible customers for \$9.95 through CIB and may be preferred by those that can afford the additional cost increment

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<sup>4</sup> Pew Research Center. US Smartphone use in 2015. April 2015.

## CENTURYLINK CIB PROMOTION AND CUSTOMER ENGAGEMENT

CenturyLink continues to implement a systematic and comprehensive approach to reach out and inform eligible customers and potential partners regarding the CIB opportunity. This includes media placement, direct mail, flyers, company participation in local events and community leadership meetings.

***CenturyLink CIB Promotion and Customer Engagement Activities October 1, 2014 to September 30, 2015***

Business Unit	Type of Outreach / Promotion					Other Outreach
	Media Placement	Direct Mail	Flyers	Local Event	Community Leadership Meeting	
MDM	315		19,583	24	2	19
Retail Store	8		4,502	6	3	1
Marketing	4,722	2,004,780				
TOTAL	5,044	2,004,780	24,355	30	5	20

In year four of the program, CenturyLink placed information about CIB in 5,044 papers, radio/TV ads or website promotions. During this time period, the company distributed CIB promotional information flyers within all markets served by the company. These information materials reached 24,355 customers. In addition, CenturyLink personnel attended 30 local events, 5 community leadership meetings and participated in 20 other outreach activities to promote the program opportunity to eligible customers and potential partners. More than 2 million direct mail pieces were sent.

In several locations over the past year, CenturyLink has utilized local community partners and nonprofit alliances to reach targeted residents who qualified for the CIB program. The connections and collaboration proved to be key in providing the awareness and outreach needed.

For example, the company's retail location employees partnered with a local Vietnamese-speaking network technician from the Tacoma area and provided local outreach through the student volunteers of a local non-profit. This partnership made it much more possible to reach out and effectively engage the Vietnamese-speaking community in the following ways:

- The local non-profit partner provided a bridge between the community and CenturyLink including publicizing the event in the local Vietnamese newspaper for the Vietnamese targeted audience.
- A CenturyLink employee of Vietnamese ethnicity was able to speak directly about Internet Basics with those who attended.

- Employees were on hand to answer questions about Internet Basics and about any other CenturyLink product and help participants determine whether they qualified for Internet Basics.
- Using the Vietnamese language, employees were able to quickly get the applications completed and signed along with copies of the right credentials for verification of qualifications.
- As a result, low-income qualified customers received the discounted internet service in their homes as opposed to encountering the difficulties they would have experienced in trying to order it by calling and talking to CenturyLink on the phone in English or purchasing through the online (English) portal.

## CIB COMMUNITY-BASED TRAININGS

A total of 17 CIB community-based trainings were implemented in 5 states (Minnesota, Washington, Louisiana, North Carolina, Florida and Virginia) in year-four of the program. Because CenturyLink has met its commitment regarding training, attendance at these sessions is no longer tracked.

CenturyLink employees utilizing CIB curriculum developed specifically for the program conducted the trainings. Most training focused on audiences in public housing complexes. Others partnered with local libraries and community-based advocacy organizations. All training sessions were targeted primarily to low-income residents in the community. Whenever possible<sup>5</sup>, training included participation by CenturyLink retail personnel and the opportunity for eligible customers to purchase a discounted service option as well as a low cost Apple iPad Mini.

## CIB PARTNERSHIPS

Over the past four years, CenturyLink employees have pursued partnerships with well over 1000 community-based organizations to promote and create awareness of the Internet Basics program as well as to implement targeted training forums. These partnerships have included organizations that provide refurbished computers to targeted customers, organizations that provide digital literacy training and organizations that have deep local contact networks with customers that are eligible for Internet Basics. Partnerships that include the engagement of the Company with organizations that have a shared mission of improving digital access among low-income, elderly or minority populations have been among the most beneficial approaches utilized for the CIB program over the past four years. By combining resources, much more can be accomplished at the local level.

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<sup>5</sup> The company is not allowed to take applications and process orders for CenturyLink Service in all locations where training is offered. In these cases the company only provides information and answers questions.

Local partnerships have continued to play an important role for the CIB program. Data reported by CenturyLink employees for the time period between October 1, 2014 and September 30, 2015 identify dozens of new local CIB partnerships formed. These partnerships include a wide range of organizations ranging from public housing, local government, schools, libraries, minority advocacy and support groups, and councils on aging. Below are four major partnership examples implemented over the last year.

## **FLORIDA**

In partnership with the Sebring Housing Authority, CenturyLink participated in several local back-to-school events in Sebring and other FL locations between August 17 and September 1, 2015. The locations and outreach included:

- Backpack giveaway at the Boys & Girls Club. CenturyLink Internet Basics & Lifeline program promoted. Retail table with collateral. – Port Charlotte, FL
- La Familia event at Harborside Event Center in Ft. Myers, FL. Retail table with collateral distributed.
- The Big Backpack Event at the Harborside Event Center in Ft. Myers, FL. . Retail table with educational collateral and 10 units sold on site.
- Hector J. Cafferata Jr Elementary School's open house in Cape Coral, FL. Retail table with collateral distributed.
- Lipman Produce Backpack Giveaway in Immokalee, FL. Retail table with collateral distributed. Sold 7 units on site.
- Hispanic Chamber Health Fair in Cape Coral, FL. Retail table with collateral distributed.
- Lehigh Acres Boys & Girls Club backpack giveaway in Lehigh, FL. Retail table with collateral distributed.
- Traffalgar Middle School Open House in Cape Coral, FL. Retail table with collateral distributed.

Over the course of these events, approximately 2,250 families were introduced to the CenturyLink Internet Basics program. CenturyLink's Retail staff was available to take applications and to distribute CIB collateral materials

## **Nebraska**

The Nebraska Public Service Commission offered technology grants to deploy broadband service to unserved and underserved areas of the state. CenturyLink received notice of approval of its proposal for the grant in May 2015.

Through its Internet Basics program and through a partnership with Nebraska's Metropolitan Community College, CenturyLink will provide a \$10.00 discount to the monthly recurring charge to qualifying low-income customers of broadband service

for a period of 12 months. For customers of the CenturyLink Internet Basics program, this could essentially provide service at no cost for the first year.

As a part of this initiative, CenturyLink will also partner with Metropolitan Community College to provide education to potential customers on safely accessing and using the Internet. With locations throughout the Omaha metro area, Metropolitan Community College is in the best position to reach the maximum number of potential subscribers because of the college's extensive connections with low-income families in the community. The \$50,000 grant will allow CenturyLink to provide the credit for one year to approximately 400 customers. The program became available in August and will be marketed beginning in October 2015. It will extend throughout 2016 or until the grant is fully utilized.

#### **New CenturyLink Partnership with Park City, UT School District**

Park City School District received a large grant to provide high speed Internet access to low-income students in the school district that could not afford it. The school district is collaborating with Centurylink to use CenturyLink Internet Basics as the means to provide this service for up to 5 years for students from eligible families. This program is in the initial stages. Information about the program was distributed through the schools beginning with the 2015/16 school year. Orders have begun to be placed. CenturyLink created a mechanism for the services to be jointly billed and paid by the school district. Between 100 - 200 families are expected to participate.

#### **Emerging CenturyLink Partnership with HUD**

During the month of July, President Obama announced the U.S. Department of Housing and Urban Development's (HUD) ConnectHome initiative to address the challenges of broadband adoption among residents of public housing. The President recognized CenturyLink for making home Internet service available to low-income HUD households via the [CenturyLink Internet Basics program](#). Through this initiative, CenturyLink will partner with local housing authorities in Seattle and Denver to offer broadband access, technical training, digital literacy programs, and devices for residents in assisted housing units. CIB is already available to assisted housing units within communities served by CenturyLink. Starting in 4th quarter 2015, local convening activities will be held at the specified HUD housing locations in Denver and Seattle. The CIB broadband discount program is a great opportunity to help low-income families get connected, especially households with school age children. Anyone who doesn't currently have CenturyLink broadband service and is eligible for public housing or section 8 support will qualify.

#### **SUMMARY AND CONCLUSION**

The average monthly number of Internet Basics sales in the fourth year of the product's availability continues to grow modestly or hold steady as in previous

years. However, some previous subscribers are choosing to drop Internet Basics resulting in a modest net increase of just under 5,000 customers over the past year.

A growing number of Americans are now connected to the Internet, and many of those who are not connected report in national surveys their primary reason for not being connected is a lack of perceived value. Moving forward, to cost-effectively reach customers most likely to be both eligible and interested in CIB, it will be even more critical to target promotional and customer engagement resources rather than simply utilize generic promotions to the customer base. CenturyLink is responding to this continuing narrowing market of the off-line population through strategic partnerships with housing authorities and community partners at the local level to better target program resources to potential eligible customers.